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DECENTRALIZATION

Strategic alliance with the United Nations Development Programme

Report by the Director-General

Reports on the developments and steps taken in compliance with resolutions GC.10/Res.2 and GC.10/Res.10 and decision IDB.28/Dec.2. Describes the progress made since the tenth session of the General Conference leading to the conclusion of a cooperation agreement and a complementary framework for technical cooperation between UNIDO and UNDP.

Introduction

1. In conjunction with the implementation of the Business Plan, the Secretariat informed the Member States in document PBC.16/CRP.5 that measures taken to that date (September 2000) had fallen short of the required effective decentralization and that the reform of UNIDO's field presence remained incomplete. To advance on this issue, the Secretariat presented in the same document three options for consideration, all of which would aim at increasing the efficiency of the field network and advance the decentralization efforts of the Organization. However, during the deliberations at the twenty-third session of the Board (November 2000), Member States noted that effective decentralization remained incomplete (IDB.23/Dec.8).

2. Advancing on the above and in line with that decision, the Secretariat undertook a comprehensive assessment of the field network. Subsequent consultations with Member States, presented in document IDB.24/15, and the outcome of the deliberations outlined in document PBC.17/CRP.4, showed that Member States preferred a gradual approach to decentralization within available resources, including a hold on redeployment of staff from Headquarters to the field, as ".. this could lead to loss of critical mass of expertise at Headquarters and could cause unnecessary instability."

3. Within that context, the Secretariat adopted a cautious approach, aiming for a more rational field network within available resources by ensuring an increased portion of the total budget of the Organization for its field network and greater delegation of authority to field office staff with respect to both operational and programme management.

I. NEW INITIATIVE FOR A STRATEGIC ALLIANCE

4. During the implementation of the gradual approach adopted, Member States expressed their renewed interest in decentralization through two resolutions adopted by the General Conference at its tenth session (GC.10/Res.2 and GC.10/Res.10), indicating that further rationalization of the field network was encouraged and that the current field

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network should be re-assessed and additional recommendations on decentralization presented to the twenty-eighth session of the Board in May 2004.

5. In compliance, the Secretariat undertook an assessment of UNIDO's field representation, the results of which were circulated to Permanent Missions with an information note on 12 March 2004. In that report, four options were outlined for an alternative approach to the Organization's future field presence.

6. Subsequently, the Secretariat advanced to consider a new form of field presence. In doing so, views expressed by Member States in 2000 were borne in mind, including minimizing the redeployment of headquarters staff to the field and avoiding overall budgetary increases for the Organization. The new initiative entailed paving the way for a closer alliance with another United Nations organization to ensure a UNIDO benefit from a larger, existing field network without increasing the field operations budget. A further important benefit of a stronger strategic alliance was the potential for increased delivery of UNIDO technical cooperation services.

7. Building upon this initiative, preliminary discussions were held with the United Nations Development Programme (UNDP) to sound out its inclination towards a new alliance, going beyond the traditional cooperation activities of project implementation. In the interest of progress in the Secretary-General's United Nations reform, UNDP indicated early on its willingness to make a concrete effort in trying to establish a new form of alliance, both at the field representation level as well as the level of programmatic aspects of the two organizations.

8. Based on the preliminary ideas of an alliance, the endeavour was agreed to be a new approach in reforming the United Nations. As such, the opinion and endorsement of Member States were necessary to ensure as complete as possible an understanding of the issues and to secure a transparent process of discussions.

II. CONSULTATION PROCESS AND RESULTS

9. In March 2004 an informal advisory group on decentralization (IDB.28/6) was established under the co-chairmanship of the Permanent Representatives of China and Germany to facilitate the consultation process with Member States. During its first meeting, on 31 March 2004, the group discussed the basic findings of the recently completed assessment of the field network and formalized the first informal discussions with Member States on the subject of a new form of alliance with UNDP.

10. Up to the twenty-eighth session of the Board (25-27 May 2004), the group had held a total of three meetings to discuss the new initiative and alliance as well as to ensure that questions and concerns of Member States could be addressed by the Secretariat. To further enrich the consultative process, the group requested a series of consultations with each of the regional groups where specific regional aspects could be discussed.

11. The deliberations of the group culminated in the adoption by the Board of decision IDB.28/Dec.2, which, inter alia, invited the Director-General to continue his dialogue with UNDP. The Board also noted a number of issues related to operational aspects of the future field representation scheme, including that of remaining within the limits of existing budgetary resources and of a phased-in approach.

12. Subsequently, the discussions between the Secretariat and UNDP intensified and detailed discussions were held in June 2004 on the content of a potential cooperation agreement. Also in June, the UNDP Administrator attended a meeting of the informal advisory group, where he presented the vision of UNDP with regard to the proposed alliance. At that meeting, the Director-General of UNIDO and the UNDP Administrator responded to questions and issues raised by Member States. In addition, the Administrator outlined his recent proposal to the Director-General concerning a special focus on joint cooperation in private sector development, in addition to the identified core technical competencies of UNIDO.

13. In view of considerable progress in the discussions with UNDP, the informal advisory group felt that a second series of regional group consultations could further facilitate the correct and in-depth understanding of the recent developments and in addition gain the required insight into the substantive details of the planned agreement. To support this process an information paper outlining the content of the cooperation agreement was circulated with an information note on 30 June 2004. The Secretariat held the second series of regional group consultations and during the fifth meeting of the informal advisory group, on 26 July 2004, the group recommended that the Programme and Budget Committee at its twentieth session (8-9 September 2004) take positive note of the Director-General's intention of signing the cooperation agreement (IDB.29/9-PBC.20/9).

III. COOPERATION AGREEMENT WITH UNDP AND ITS IMPLEMENTATION

14. During the consultation process outlined above, Member States drew the attention of the Secretariat to a number of important issues that needed to be ensured in the agreement. The Programme and Budget Committee at its twentieth session adopted conclusion 2004/6, in which the Committee, inter alia, noted with appreciation the work of the informal advisory group and the efforts of the Director-General. The conclusion also took note of the intention of the Director-General to conclude the cooperation agreement with UNDP.

15. At the invitation of the UNDP Administrator, the Director-General attended a meeting of the Executive Board of UNDP in September 2004. On that occasion the Cooperation Agreement between UNIDO and UNDP as well as the complementary framework for joint UNIDO/UNDP technical cooperation programmes on private sector development were signed on 23 September 2004.

16. The Cooperation Agreement foresees the strategic alliance to be mutually beneficial to both organizations at two interrelated levels. On the one hand, the two organizations are committed to ensuring each other's areas of expertise and to further taking advantage of the available expertise and knowledge in developing and implementing joint programmes and projects. On the other, the Agreement could facilitate that over the coming years UNIDO can enlarge its field presence to some 80 countries. To ensure that the agreement can be implemented in the most efficient manner, a pilot period is stipulated during which UNDP is committed to financially supporting the operational costs for 15 UNIDO Desks over two years.

17. Moreover, the two organizations also committed themselves to close collaboration in private sector development to ensure that the joint programme can be formulated and implemented. As a first segment, relevant expertise from both organizations will undertake joint formulation missions to some 10 different locations where the need of operations within the private sector development are clearly identified and supported by national counterparts.

18. For a better understanding of both the cooperation agreement as well as the complementary framework for joint UNIDO/UNDP technical cooperation programmes on private sector development, the two documents, as signed on 23 September 2004, were circulated to Permanent Missions with an information note on 27 September 2004.

19. Member States also expressed in the PBC conclusion their wish to be kept informed of the progress of the implementation of the cooperation agreement. The PBC also requested the submission of an implementation plan to the twenty-ninth session of the Board. In compliance with that request, a conference room paper will be issued containing the implementation plan and providing updated information on developments since the signing of the agreement.

IV. ACTION REQUIRED OF THE BOARD

20. The Board may wish to take note of the present document and the information contained therein.